

# forestry & natural resources

## WOODLAND MANAGEMENT

### Tips on How to Get the Most From Your Timber Harvest

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The sale of timber from woodlands can be an important personal financial undertaking for farmers and other woodland owners. Unfortunately, in Indiana and other Central states, timber sales on private land often result in dissatisfaction on the part of the landowner, as well as a decrease in the potential of the harvested woodlands to produce high-quality trees in the future. This scenario does not have to occur. In fact, this situation easily can be prevented if the proper planning and preparations are made in advance of any timber harvesting.

Selling and harvesting timber without a carefully conceived plan and without professional advice is not only a good way to lose money in the short term, but usually will result in long-term losses of value growth on what may well be very productive land for growing trees. Prior knowledge of a few important facts, along with adherence to some basic forest management principles will allow landowners to succeed in receiving a fair price for their timber while being left with a woodland that is in good condition to produce continuous supplies of valuable natural resources such as trees, abundant wildlife, clean water, and scenic beauty.

Some things you should know before you sell trees:

- Indiana hardwood timber can be very valuable, but it can also be low quality and nearly worthless. It all depends on the kinds of trees and their physical condition. It takes a skilled professional to accurately assess the potential value of standing timber.
- Timber is not a controlled-price commodity. Unlike corn or soybeans, there is no set price or value on a given date for the many species and range of grades of trees that are commonly found in an Indiana woodlot. Accessibility and seasonal weather conditions also affect price. Therefore, the actual fair market price for any group of trees being offered for

sale is best obtained by soliciting sealed bids from prospective buyers. The trees for sale should all have been marked, carefully measured, and assessed for quality. A listing of quantity (volume of timber), expressed in units of board feet by species, should be made available to all prospective buyers. An example of such a listing is as follows:

Species	Number of trees	Volume (bd. ft.)
White oak (lumber)	15	3500
White oak (veneer)	3	700
Red oak	30	9000
Hickory	20	4000
Sugar maple	15	3000
Tuliptree	10	8000
TOTALS	93	28200

The above information is obtained by careful measurement and assessment of characteristics of individual trees during the timber marking process, a service that is provided by a professional forester.

- If someone approaches you and suggests that they give you a certain amount of money to cut and remove all trees in your woods that are "16 inches and larger," for example, you should be very cautious when considering the offer. Remember that it is never a good idea to sell something that you own if you do not have some idea about what it is worth. At the very least, talk to a forester and get advice before entering into such an agreement. First, the buyer may be talking about stump diameter, while you may

be thinking of diameter at chest or "breast height" (diameter breast height = "DBH" = tree diameter at 4 1/2 feet above ground line). A 12 inch DBH tree can easily have a stump diameter of 16 inches, and could be cut using the above cutting agreement. Second, tree size alone is a very poor method for deciding which trees to harvest. A trained forester will take into account many factors before marking a tree to be cut. Some of these considerations include current tree health, value growth rate, potential for future value growth, species, stand conditions, and landowner objectives. Also, carefully consider the advantages and protections provided by a written timber sale contract.

- Landowners wishing to contact a forester should do so in much the same way that a person might look for a good medical doctor: by "asking around." Try contacting your local Extension Office, the Indiana Department of Natural Resources Division of Forestry (Indianapolis), or Purdue University's Department of Forestry and Natural Resources. These offices can provide listings of professional foresters whose services include assisting landowners with timber sales. Obtaining the skills and advice of an experienced forester will always be worth the investment in time and money, in regard to both near-term income and long-term returns from forestry investments.

- The bottom line for most timber sales in Indiana is this: An inventory of the woodland should be taken to assess the condition and structure of the woods. If a sale is needed and in the interest of the owner, the trees to be harvested should be marked for cutting by an experienced professional forester who can assess their current health and maturity. A summary of tree species and volume (the table on Page 1 is an example) in the sale should be compiled, and the summary listing, along with a map of the area, should be made available to potential licensed timber buyers. A number of bids should be solicited to allow for a fair current market value to be established for the timber. Generally speaking, any other system for selling hardwood timber in Indiana could be potentially damaging to the forest resource.

## **Your Timber Investments May Be Growing Faster Than You Thought**

Many things pass through a forester's mind before he or she decides to choose a specific tree for harvest marking. One important concept which is given much thought is that of 'financial maturity.' Although financial maturity is a detailed concept, it can be simply summarized as that point in time when a specific tree's rate of return is less than the rate of return available through the tree owner's alternative investments. In other words, if a specific tree is increasing in value at 7 percent, and you, as the tree's owner, can invest in an alternative investment such as a bank certificate of deposit (CD) at 8 percent, the tree may then be termed financially mature.

One would no more wish to 'cash in' an investment earning 15 percent than one would wish to cut down a tree earning the same 15 percent. You say your trees can't be earning 15 percent per year? You are probably correct if you are thinking that they are not physically increasing in volume at 15 percent per year. The situation changes, however, if you take log and lumber grade increases into account. As a tree increases in diameter, it also increases in grade, which translates into increased value per board foot. The examples on the next page dramatically show increases in tree (log) value versus increases in volume over time. These are not 'best' examples, but rather are commonplace examples very similar to trees that may now be growing in your own woods.

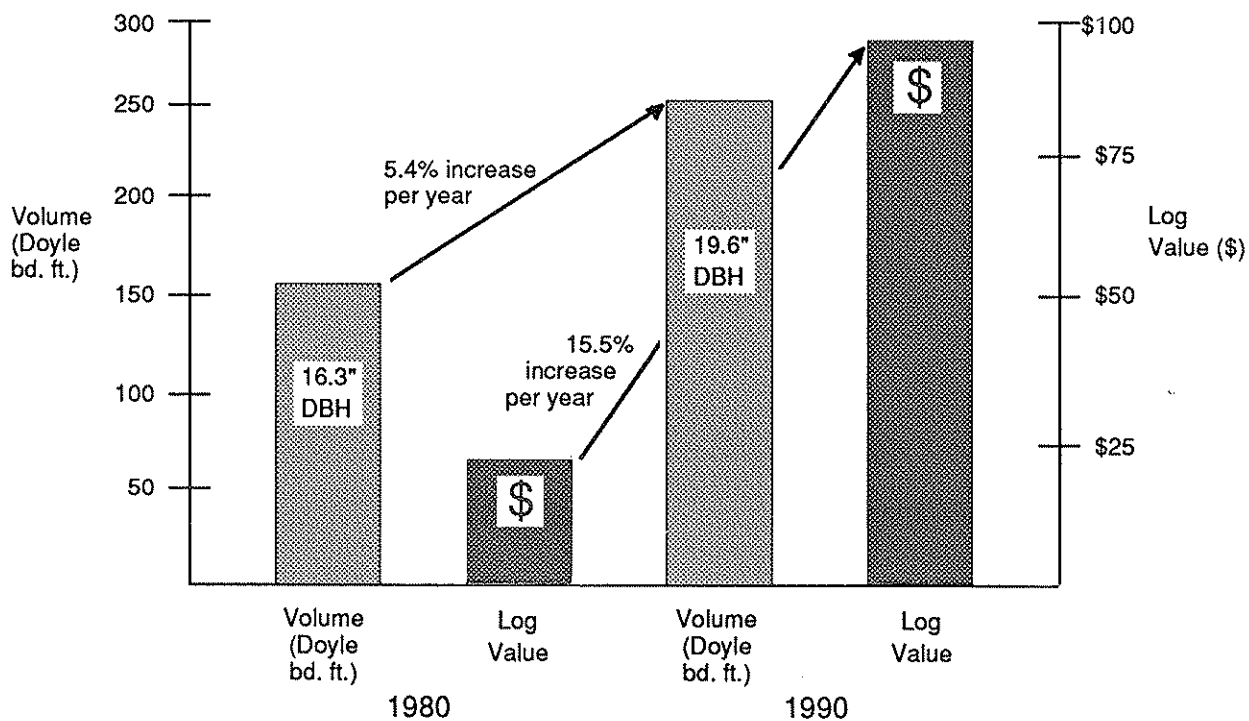
These examples show trees which appear to be good investments. It might even be said that one would be more financially sound borrowing money than one would be harvesting the walnut tree in Example 2. If this approach to selling your timber appears a bit complicated for you to personally master, there is always the alternative that has been suggested to landowners for decades: Ask your district forester or professional consulting forester for marking and marketing assistance. Your forest investment deserves professional guidance.

### **For more information, contact:**

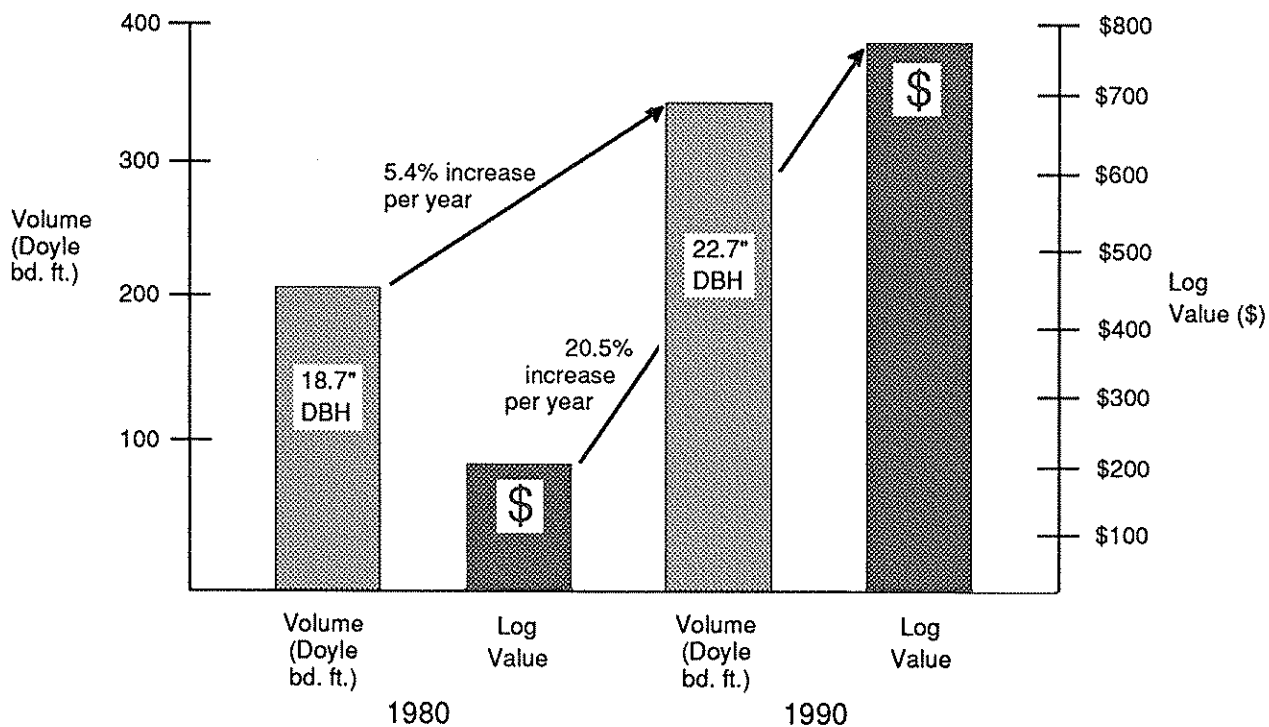
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Dept. of Forestry and Natural Resources  
1159 Forestry Building, Room 201  
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**Example #1: Ten Year Increases in Red Oak Volume and Value (1980 to 1990)**



**Example #2: Ten Year Increases in Black Walnut Volume and Value (1980 to 1990)**



## Suggested publications:

**FNR-91** "Financial Maturity: A Guide to  
When Trees Should Be Harvested"

**FNR-111** "Marketing Timber"

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